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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Analysis of Enrolled Senate Bill 1016

Topic: Occupations; Real Estate Appraisers
Sponsor: Senator George
Co-Sponsor: Senator Cassis

Committee: Senate Economic Development, Small Business & Regulatory Reform
House Regulatory Reform

Date Introduced: 1/31/2006

Date Passed Senate: 6/8/2006

Date Passed House: 9/13/2006

Date Enrolled: 9/14/2006

Date of Analysis: 9/18/2006

Position: Support.

Problem/Background: In 1989 Congress passed the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), more commonly known as the Savings and Loan Bailout Bill. Title XI of FIRREA set up a real estate appraiser regulatory system involving the Federal Government, the states and The Appraisal Foundation, which was charged with the development of criteria for appraiser qualifications and appraisal standards.

On February 20, 2004, the Appraiser Qualifications Board of The Appraisal Foundation adopted changes to the *Real Property Appraiser Qualification Criteria* that will become effective on January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008.

It is up to each state to adopt those standards, as the licensing function is left to the states. Therefore, this bill was introduced to adopt the new standards into Article 26 of the Occupational Code, which is Michigan's licensing law for real estate appraisers.

Summary of the Bill:

1. Adds definitions of the AQB criteria, which are national educational, examination, and experience standards, and adopts them by reference. Increased educational standards include a baccalaureate degree requirement for certified appraisers and other college course requirements in lieu of the degree.
2. Eliminates current educational, examination, and experience appraiser standards within the act, and provides that AQB Criteria, adopted effective January 1, 2003 are in effect until January 1, 2008, when the most recent standards will become effective.
3. Eliminates references to "Valuation Specialists" that were a Michigan specific license category that was eliminated during the last revision of article 26 in 1998.
4. Allows the agency to adopt further stricter standards by administrative rule, as long as they are in compliance with the federal standards.
5. Updates the name of the department to the Department of Labor & Economic Growth.

6. Provides cleanup language and eliminates redundant language due to the adoption of the federal standard.
7. Creates a penalty for failure to maintain books and records required under the act.

Arguments For:

1. Federal law requires that certified appraisers must meet current standards to provide appraisals for federally-related transactions—which account for a large percentage of all real estate appraisals in the industry.
2. Upgrading the education and experience of Michigan appraisers will give them greater credibility and knowledge to perform their occupations with competence.
3. Better-educated appraisers will help to protect the public from purchasing homes that are not worth the amount paid for them. A home purchase is one of the largest purchases that most people make in their lifetimes. This in turn, will protect the federal government from guaranteeing improper loans that result in future public buyouts of federal-protected loans and investments.
4. By adopting federal standards by reference, Michigan can be assured that it is consistent with the requirements of other states and the federal government, thus facilitating the national nature of mortgage finance, which often crosses state lines.

Arguments Against:

1. It could be argued that additional burdens on real estate appraisers do not make sense. If the pressures on appraisers to “make the deal” were relieved, they could do their jobs.
2. There is insufficient proof that lack of education and training for appraisers are the cause of poor-performing loans.

Supporters: Michigan Board of Real Estate Appraisers
Michigan Association of Realtors-Appraisal Section
Appraisal Subcommittee of the Federal Financial Institutions Examinations Council

Opponents: No opponents are known at this time.

Administrative Rules Impact: Administrative rules will be necessary to fully implement the new program.